



DEWOLFF, BOBERG & ASSOCIATES, INC.
Resources to management for improving performance

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Michael Lubin
Chairman
Lexington Precision Corporation
800 Third Avenue
New York, NY 10022

Warren Delano
President
Lexington Precision Corporation
800 Third Avenue
New York, NY 10022

Dear Mr. Lubin & Mr. Delano:

Thank you for the opportunity you provided us to analyze your medical operations facility in Rock Hill, SC. Our objective was to determine whether we could make a worthwhile application of our methods and efforts, designed to assist you in achieving your business objectives in these areas.

We realize that your management group may have previously considered many of the thoughts we expressed. Your ideas, combined with ours and developed through full participation during the course of the engagement, will assure maximum results. We consider our ability to install our proposals, achieving predictable and measurable results, to be the most important factor in our usefulness to you.

In our presentations we have taken only limited time to praise the many good points we have seen. Our findings indicated many areas are operating well, however they have the ability to improve through maximizing performance. Our focus has been on quantifying the opportunities available. The engagement will consist of working with your people to improve the existing operating systems and position Lexington to better cope with substantial new business opportunities and the demands of new product development requested by your customers. Naturally, our preliminary analysis can only outline areas inviting more detailed study in the application of the principles we propose.

In addition to helping you with the project management capabilities you require, we guarantee that annual economic benefits available to you through implementation of our process will be Eight Hundred Seven Thousand Dollars (USD \$807,000). These benefits will be made available to you from improved productivity, increased throughput, reduced overtime & organization restructuring. This estimate could be lowered in the event of a significant reduction in your current or forecasted volume levels. The benefit corresponds to improvement based on current

performance & volume levels. As a result, increased volume intake suggests the potential to outperform the guaranteed amount. The precise metrics and baselines to be used to measure these savings will be developed and finalized with you during the first few weeks of the project.

The total cost for the development, training and installation of this process is Four Hundred Sixty-Two Thousand Six Hundred Dollars (USD \$462,600). We anticipate spending Eighteen (18) calendar weeks on your premises. During this time, we would invoice you Twenty-Five Thousand Seven Hundred Dollars (USD \$25,700) per week for each week of the engagement. All invoices are payable weekly as invoiced. You may discontinue this program at any point and will only be charged for time spent to date. Also, DeWolff, Boberg and Associates and Lexington Precision Corporation agree not to solicit and/or hire the other's employees for employment during the implementation of our program and for one (1) year following completion of the implementation.

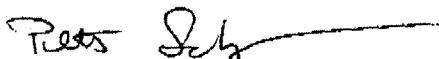
Should we not be able to achieve our guaranteed annual savings rate by the planned completion date of our program, we would either continue working on your premises at our expense until this rate is attained, or we would reimburse a portion of our fees equal to the percentage of savings shortfall. This choice would be made at our discretion. We will also monitor our cash flow projections and be prepared, if necessary, to adjust our billing to stay within these commitments.

So that we may use staff members already familiar with your processes and this proposal, we would appreciate your authorization to proceed today. This proposal of engagement is valid for a period of forty-five (45) days, beyond this period the proposal is null and void.

We look forward to working with you and your people, and are convinced you will find it a rewarding experience.

Sincerely yours,

DEWOLFF, BOBERG & ASSOCIATES, INC.



Peter Schultz
Presenting Analyst